

BEFORE THE ARIZONA CORPORATION COMMISSION



0000160339

COMMISSIONERS

Susan Bitter Smith, Chairman
Bob Stump
Bob Burns
Tom Forese
Doug Little

RECEIVED

2015 FEB 26 A 11: 28

ORIGINAL

AZ CORP COMMISSION
DOCKET CONTROL

In the matter of the Application of EPCOR Water Arizona Inc., for a determination of the current fair value of its utility plant and property and for increases in its rates and charges for utility service by its Mohave Water District, Paradise Valley Water District, Sun City Water District, Tubac Water District, and Mohave Wastewater District.

Docket No. WS-01303A-14-0010

26 February 2015

Arizona Corporation Commission

DOCKETED

FEB 26 2015

DOCKETED BY

Notice of Filing

Surrebuttal Testimony

by Marshall Magruder

The Company's Rebuttal failed to adequately respond to the three critical issues in my Direct Testimony of 23 January 2015. NONE of these issues impact the Company's "bottom line." This failure to ignore a reasonable layman's testimony, especially since the Company also supports similar solutions, appears dubious or disparate treatment.

The First Issue, to combine the rates in four water locations, meets a prior Commission Order¹, and is ongoing in a parallel wastewater case.² The Company's convincing testimony in that case shows its "bottom line" is not directly impacted when rates are combined. In its Rebuttal and Staff's and RUCO's Direct Testimonies in the instant case continue rate discrimination, contrary to Title XV Section 12 of our state Constitution, that reads:

"Charges for service; discrimination; ...

"Section 12. All charges made for service rendered, or to be rendered, by public service corporations within this state shall be just and reasonable, and no discrimination in charges, service, or facilities shall be made between persons or places for rendering a like and contemporaneous service, ..." [Emphasis added]

The Second Issue is to establish fair, reasonable, effective and efficient low-rates for lower income ratepayers. The Company agrees these ratepayers should have access to lower rates; however, its proposal discriminates against All ratepayers. Its dysfunctional low-income

¹ Magruder Testimony of 23 Jan. 2015, at 15, "2.2 Compliance with Commission Order" No. 71410, for details that were not followed in the instant rate case, "the next rate case" that involves this customer's service area.

² ACC Docket No. W-01303A-09-0343.

1 proposal has "caps" and imposes a new low-income surcharge on other ratepayers. The simple
2 and cost-efficient solution in my Direct Testimony removes these and other faulty impediments.

3 The Third Issue is to develop a multi-tiered rate structure to promote water conservation,
4 with higher consumption charges for those with higher water use, was ignored, with minimal
5 changes in the present rate structure. Water conservation is the most crucial issue in Arizona.
6

7 All three issues are easily resolved with a combined rate structure,³ with low "lifeline"
8 rates for the "First Tier" and additional Tiers to clearly show "price signals" to higher consumers.

9 None of these Company proposals to eliminate "rate discrimination" impacts on its
10 bottom line but have significant financial impacts on ratepayers while improving the Company's
11 efficiency to serve its customers. There is no rational or legal reason to continue over a half-
12 century of "rate discrimination" and corrective action must start now, in this rate case. Execution
13 may take years; however, this can't continue rate case, after rate case, after rate case, ...
14

15 **Response to the Company's Rebuttal.**

16 Without an adequate responses to my Testimony, other than comments re-stated many
17 times in the "last rate case", these EPCOR comments⁴ clearly do not agree with its August and
18 September 2014 filings in the current wastewater case. A direct reply isn't warranted; however,
19 I will close with some, of many, specific questions from the H Schedules in Company's Rebuttal
20 that show the present, revised proposal (14 October 2014), and Rebuttal proposed rate
21 structures clearly **discriminate** "between person and place":
22

23 **Issue 1. Combined Rate Structure.**

24 Examples from the Company's present cost, revised proposed cost, and Rebuttal costs
25 show wide-ranging discrimination and variances at different use levels, low cost rates, and
26 service charges based only on location for the same contemporaneous services. Please see
27 Attachment A herein for detailed tables used in the examples below.
28

29 1.1 There are significant differences in the **PRESENT** cost for the first 1,000 gallons.
30 Why is the cost for the first 1,000 gallons of water so dissimilar to serve similar 5/8-&3/4-inch
31 meter residential customers at the following locations in Attachment A, Table 2.11-4 (Rev)?
32 Why isn't this discrimination between the same customers for the exactly the same service?
33
34

35 ³ The Company is fully consolidated in all areas except for revenue and expenses in rate cases. Its earnings are based on the same company-wide factors. The Magruder Testimony and Surrebuttal use the term "**combined**" and not "consolidated" that seems to have other meanings not intended in my issue, that is use the total revenue requirements for uniform, fair and reasonable a company-wide rate structure to comply with the Arizona Constitution to eliminate location discrimination.

⁴ Bourassa (EPCOR) Rebuttal Testimony, at 14

- \$0.7297 in **Sun City**
- \$0.880 in **Mohave**
- \$1.050 in **Paradise Valley**
- \$1.900 in **Tubac**

1.2 There are significant cost increase differences in the **PROPOSED** and **REBUTTAL** for the first 1,000 gallons (First tier) in the above Table. Why are the first 1,000 gallons of water cost changes so dissimilar for 5/8- & 3/4-inch meter residential customers at various locations?

- | | |
|---|--------------------------|
| • \$0.780 in Sun City proposed increase 5 cents and | \$0.7336 in the Rebuttal |
| • \$1.550 in Mohave proposed increase 67 cents and | \$1.53 in the Rebuttal |
| • \$1.408 in Paradise Valley proposed increase 35.8 cents | \$1.1116 in the Rebuttal |
| • \$5.330 in Tubac proposed increase 343 cents and | \$4.75 in the Rebuttal |

1.3 Why do significant cost differences exist at the **MEDIAN TIER**, where 50% use more and 50% use less water, for 5/8- & 3/4-inch meter residential users? Why are the monthly cost increases different between two locations in Tubac and Mohave using 5,000 gallons/month at \$35.79 and \$7.87, respectively? The other two locations in Sun City and Paradise Valley are much less costly, at \$3.14 and \$3.46 respectively with significantly higher median usage.

- **Tubac** median usage at **5,000 gallons**:
 - Present cost is \$3.00/1000 gallons for a monthly median cost of \$42.10,
 - Proposed is \$6.83, an increase of \$3.83/1000 gallons for a monthly median cost of **\$77.89**, with a proposed monthly increase of **\$35.79**
- **Mohave** median usage at **5,000 gallons**:
 - Present cost is \$1.84 for a monthly median cost of \$17.32,
 - Proposed to \$2.50, an increase of \$0.64/1000 gallons for a monthly median cost of **\$25.19**, with a proposed monthly increase of **\$7.87**
- **Sun City** median usage at **6,000 gallons**:
 - Present cost is \$1.36 for a monthly median cost of \$15.72,
 - Proposed to \$1.66, and an increase of \$0.33/1000 gallons for a monthly median cost of **\$19.18** with a proposed monthly increase of **\$3.46**
- **Paradise Valley** median usage at **10,000 gallons**:
 - Present cost is \$1.25 for a monthly median cost of \$36.65),
 - Proposed to \$1.36, and an increase is \$0.21/1000 gallons for a median cost of **\$39.79** with a proposed monthly increase of **\$3.14**

1.4 There are different rates for 5/8th- & 3/4th-inch rate category and the 3/4th-inch rate category. What is the difference between "5/8th- & 3/4th-inch" and "3/4th-inch"? Let's eliminate a redundant "3/4-inch" rate category or have separate 5/8-inch and 3/4-inch rate categories?

1.5 In Paradise Valley and Sun City, the same rates are used for three different (5/8-, 3/4-, and 1-inch) rate categories while in other locations have significant differences for these rate categories for the same volume of water. Why does the Company charge different rate at the other two locations in Tubac and Mohave? See Table 2-11.4 (Rev) in Attachment A.

1 1.6 There are significantly different Tiers structures, including breakpoints and rate
2 differences, shown in Table 2-11.4 (Rev). For example, with similar median usages of 5,000 to
3 6,000 gallons/month, why are the Residential Tiers rate structures so different between Tubac,
4 Sun City and Mohave? Again, might this also be rate discrimination, too?

5 1.7 There are locational variations in the cost of a Water Meter. Why does a **5/8-inch**
6 water meter cost **\$130** (Sun City, Mohave) and **\$155** (Tubac, Paradise Valley), a
7 **3/4-inch** meter cost **\$205** (Sun City, Mohave) and **\$255** (Tubac, Paradise Valley), and the
8 **1-inch meter** cost **\$240** (Sun City, Mohave) and **\$315** (Tubac, Paradise Valley)? Why does the
9 same water meter not cost the same at ALL locations? Are different water meters used in these
10 locations? See Attachment A, Table 1.

11 1.8 Service Line Installation cost variations exists at different locations. Why does a 5/8-
12 inch or 3/4-inch service line installation cost are **\$370** in Sun City and Mohave and **\$445** in
13 Tubac and Paradise Valley. Why does a 1-inch service line installation cost are **\$420** in Sun
14 City and Mohave or **\$495** in Tubac and Paradise Valley? See Attachment A, Table 1.

15 **Issue 2. Efficient Lower Income Rate Relief.**

16 2.1 The "low income" proposed surcharge is added to only the highest rate "Tier" for
17 selected rate categories. Many rate categories having only two Tiers. Can this "surcharge" be
18 progressively embedded in All Tiers but the First Tier rates?

19 2.2 Why does the H Schedules NOT include the proposed low income surcharge and
20 considered in the cost for the "average" customer? See the proposed surcharges in the note
21 below Table 2.11-4 (Rev A) in Attachment A.

22 2.3 The Company has excess low-income revenue from the two locations where low-
23 income rates have been established from overcharging these customers. Why not include this
24 "surcharge" in the rate structure (see 2.1 above) to make the program more efficient and
25 eliminate all existing low-income administrative, overhead, printing, and billing cost by having a
26 low First tier and progressively increasing cost for higher tiers? See Magruder Testimony
27 Section III, pages 29 to 33 and Appendix 4 for similarly unsuccessful low-income programs
28 used by other utilities.

29 2.4 Table 2.11-1 (Rev A) below shows an Average monthly billing cost for the First Tier
30 based on the Consolidated Rates this party proposed from the "last rate case"⁵ That shows the
31

32
33
34
35
⁵ Magruder Direct Testimony, in Appendix 3, has the Consolidated Rate results of all EPCOR (AAWC at that time)
water locations using the Company's spreadsheets. Table 2.11-1 (Rev A) at the bottom, used this consolidated
rate data for the four locations in this case, with rates based on "average" consumption in this case. It also shows,

1 same First Tier total billing cost would be **\$17.44** for ALL small residential users and **\$22.94** for
2 ALL 1-inch customers. Thus, ALL ratepayers would have the same First Tier costs, with
3 progressively higher rates in the several higher rate Tiers. These higher rates plus the First Tier
4 would be designed to meet the Company's revenue needs, as was accomplished in Appendix 3
5 of the Magruder Proposal. Why can't the Company use this process again during the ongoing
6 water rate case, using the current revenue requirements?
7

8 2.5 Based on the number of retired persons in Sun City, Mohave, and Tubac, I would
9 expect a high percentage at these locations to be in the First Tier, using 3000 gallons or less.
10 The First Tier is automatically and always available to ALL ratepayers with an "application" or
11 other filtering process that eliminates most of the low-income deserving ratepayers. These
12 benefits easily outweigh their cost. Can the Company design such a rate structure?
13

14 2.6 The two present low-income ratepayer locations are managed by a "voluntary"
15 organization. This needs to be established in the new low-income rate locations. How does
16 EPCOR intend to manage low-income rates at these new locations? What volunteer
17 organizations have been selected?
18

18 **Issue 3. Water Conservation Rate Structure.**

19 3.1 The proposed initial and revised EPCOR H Schedules show the percentage of the
20 rate increase usually decreasing with higher consumption. This is particularly visible in the
21 Commercial Rate Class. Why do higher using consumers, in the same rate category, have
22 lower percentage rate increases in almost every location but Tubac? RUCO's proposed rate
23 structure has avoided this problem by making the rates progressively increase with more use.
24

25 3.2 Why do the proposed rate changes in the EPCOR Rebuttal H Schedules not
26 progressively increase with higher consumption?
27

28 3.3 Paradise Valley has significantly higher water consumption than other locations;
29 however, it lower rates than most other locations, including both the Staff and RUCO's
30 recommendation for no rate changes. Especially grievous is a unique very low cost in the "Turf"
31 Rate Class for road median strip water irrigation. Why does EPCOR not intend for a "Turf" Rate
32 Class increase to match similar water costs by other ratepayers? Would it be more effective to
33 irrigate medians with an established Commercial Rates a one-of-kind unique "Turf" Rate Class?
34
35

for each location, the billing costs for a customer consumption of 3,000 gallons, considered a reasonable amount
or a "lifeline" for all low income ratepayers, as determined in "the last rate" case.

1 3.4 In all locations, water consumption has decreased since the last rate cases⁶ when
2 the former company significantly increased the rates. This shows there is a correlation between
3 a large rate increase and water consumption decrease; however, the Company feels that
4 weather caused 67.5% of this decrease in consumption.⁷

5 This party disagrees. Human behavior has changed significantly in the last few years
6 due to the decade-long and continuing drought in our state and other efficiency and water
7 conservation programs and news about the drought. People react to cost, as the hundreds of
8 Customer Complaint letters and emails filed in this and the "last rate case" show. None have
9 requested a rate increase. Due to a higher cost, water conservation occurs as the cost of water
10 service increase. Designing the Rate Tier breakpoints can show customers where they can
11 reduce their bill. However, there are very few Tiers in all locations, especially for the
12 Commercial Rate Class with two Tiers with one breakpoint. Why are there not many (at least
13 five) Tiers with progressively increasing rates, to recover this "lost" revenue, at higher Tiers in
14 order to reduce consumption, conserve water, and obtain revenue from the highest
15 consumption customers?
16

17 **Response to Commission Staff's Direct Testimony.**

18 The Testimony of Commission Staff's witness Phan Tsan of 2 February 2015 contains
19 the Company and Staff's rates for median usage. The Table A below compares the Staff and
20 RUCO's Proposals.
21

22 The Staff recommended that Sun City and Mohave low-income program remain and that
23 the Sun City, Mohave, and Tubac eligibility and program requirements be the same as for Sun
24 City and Mohave, using a third-party coordinator, approval of the participation limits proposed
25 by the Company, for a discount rate of 40 percent for water customers, using the highest block
26 usage to recover the low-income surcharge, the Company file annual reports providing statistics
27 and data about their low-income programs in each location, and over/under collections be
28 "trued up" annually.
29

30 This party does **not** agree. The above low-income actions and administrative costs and
31 actions are all avoided by using the low-income method proposed in the Magruder Testimony.
32
33
34

35 ⁶ Bourassa Rebuttal, Exhibit TJB-1R that has graphs showing water usage decreases for each location. The Company has proposed to only makeup 25% of this "revenue loss" (Bourassa Rebuttal, at 2) as this shows the Company's use of 25% is conservative.

⁷ *Ib.*, at 2.

Response to RUCO's Direct Testimony.

The RUCO Testimony of Jeffrey Michlik recommended the following typical average monthly bills shown in Table A below. RUCO's rate design is superior to the Company's but still does not achieve all the goals in the Magruder Direct Testimony.

These rate increases still have Tubac with the highest rates; highest rate increases in both dollars and percentages, at least double the Sun City and Mohave rates, and 50% larger than Paradise Valley that continues rate structure discrimination. RUCO rate design avoids having the larger meter sizes not less than the smaller sized meters for the same usage (p. 3). This promotes water conservation. Tubac's ARCM is embedded within the rates (both ARCM surcharges are eliminated) as shown in Table A below.

TABLE A. RUCO AND ACC STAFF PROPOSED RATES
(5/8&3/4-inch meter)

	Mohave	Paradise Valley	Sun City	Tubac
Average Usage	6,800 gallons	19,271 gallons	7,203 gallons	8,348 gallons
Present Service Charge	\$11.00	\$21.15	\$8.76	\$24.70
EPCOR Proposed Service Charge	\$15.5430	\$27.2701	\$10.7047	\$48.2391
RUCO Proposed Service Charge	\$11.40	\$22.00	\$8.76	\$33.00
Staff Proposed Service Charge	\$13.00	No change	\$9.50	\$30.00

Staff's Proposed Rates

Staff Median Usage	4,017 gallons	9,244 gallons	5,423 gallons	4,350 gallons
Present Bill (Median usage)	\$20.63	\$52.30	\$17.36	\$46.44 (w/o ARCM) (\$53.57 with ARCM)
Staff Rate Change	\$7.22	No change	+\$3.28	+\$12.36
Staff Percent Change	+ 19.90%	0.00%	+ 21.99%	+ 35.34%
Staff Proposed Bill (Median usage)	\$18.60	\$35.70	\$18.21	\$47.35

RUCO's Proposed Rates

Present Bill (Average usage)	\$20.63	\$52.30	\$17.36	\$46.44 (w/o ARCM) (\$53.57 with ARCM)
RUCO Rate Change	+ \$0.82	- \$8.61	No change	+ \$22.96 (+\$15.83 with ARCM)
RUCO Percent Change	+ 3.99%	- 16.46%	0.00%	+ 49.44% (w/o ARCM) +29.56% with ARCM)
RUCO Proposed Bill (Average usage)	\$21.46	\$43.69	\$17.36	\$ 69.41
Staff Proposed Bill (Median usage)	\$18.60	\$35.70	\$18.21	\$47.35

1 **Conclusions.**

2 The proposed are revised rate designs are unsatisfactory for **All** ratepayers, especially
3 the dominate Residential and Commercial Rate Classes and associated Rate Categories.
4 These rate designs do not comply with our state Constitution to charge fair and just rates for the
5 same services for all ratepayers, **regardless of location**.

6 It is not just or fair for all Rate Classes and needlessly burdens the Company based on
7 legacy convolutions. This has resulted in multiple cases (five in this case) for the Commission
8 staff, RUCO and all parties instead of a single, integrated rate case. The Company's proposal
9 conflicts with Arizona's water conservation goals by not aiding water conservation adequately in
10 its rate design (RUCO's design does). We must preserve our diminishing water resources that
11 are critical for the growth and development by not rewarding the highest consuming users with
12 low rates and rate increases. This rate design does not provide equitable relief for lowest
13 income ratepayers.

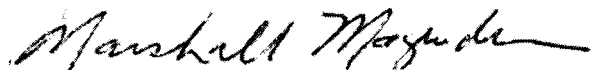
14 Most importantly, none of solutions proposed for these issues have any impact the
15 Company's total revenue.
16

17
18 **Recommendations.**

19 My Direct and Surrebuttal Testimonies discuss and provide easy solutions for these
20 three issues for fair and reasonable recommendations to the Company to revise its rate design
21 in its Rejoinder in order to
22

- 23 a. Combine rates for ALL locations to comply with the Arizona Constitution, to
24 b. Provide equitable and fair rates for Lower Income customers, and to
25 c. Conserve water by using Cost as a key driver for water volumetric rates.
26

27 RESPECTFULLY SUBMITTED on this 26th day of February 2015.
28

29 

30 Marshall Magruder
31 PO Box 1267
32 Tubac, Arizona 85646-1267
33 marshall@magruder.org
34
35

Attachment A

Updates to Direct Testimony based on the Company's Rebuttal

The tables below reflect the Proposed Rates in Tables found in the Magruder Direct Testimony and Rebuttal Rates. In general, minor changes were made in the Company's Rebuttal.

The "average" cost is determined by determining the "average usage" based on the total gallons divided by the number of ratepayers in that rate category. Added to this Table are Magruder Average Costs based on Appendix 3 of his Direct Testimony.

Table 2.11-1 (Rev A). Comparison of EPCOR Proposed and EPCOR Rebuttal Monthly Residential COST for Four Locations in this Rate Case for the Monthly AVERAGE Usage
(5/8&3/4 and 1-inch rate categories)

Monthly AVERAGE Usage	5/8 and 3/4-inch Residential Service				1-inch Residential Service			
	Tubac	Sun City	Paradise Valley	Mohave	Tubac	Sun City	Paradise Valley	Mohave
In gallons	8,348	7,203	19,271	6,800	13,838	14,786	55,400	23,601
Present COST	\$53.57	\$17.35	\$52.30	\$20.63	\$146.05	\$43.44	\$165.40	\$80.90

EPCOR REVISED PROPOSAL AVERAGE MONTHLY COST

Based on its 14 October 2014 Revision Schedules

Proposed COST INCREASE	+\$47.19	+\$3.82	+\$5.06	+\$9.06	+\$82.49	+\$8.47	+\$16.05	+\$23.41
Proposed COST	\$101.76	\$21.17	\$57.36	\$29.69	\$228.54	\$51.91	\$181.45	\$104.31
Percent INCREASE in COST	+88.1%	+22.0%	+9.7%	+43.9%	+56.5%	+19.5%	+9.7%	+28.7%

EPCOR REBUTTAL AVERAGE MONTHLY COST

Revised Proposal in Rebuttal Compared to Original Proposed Costs

Rebuttal COST INCREASE	+ \$35.66	+ \$3.38	+ \$3.03	+ \$8.73	+ \$52.57	+ \$6.86	+ \$9.62	+ \$22.23
Rebuttal COST	\$ 89.23	\$20.73	\$ 55.32	\$29.36	\$198.62	\$50.30	\$175.03	\$103.13
Percent INCREASE in COST	+66.57%	+ 19.45%	+5.79%	+42.30%	+36.00%	+ 15.79%	+5.82%	+27.47%

Note: A proposed ARCM commodity surcharge of \$0.22607/1,000 gallons is in the proposed monthly average residential cost for Tubac. No other locations have this surcharge.

MAGRUDER AVERAGE MONTHLY COST

Based on Magruder Testimony, Appendix 3, for Combined Rates in the "last rate case"

AVERAGE Usage Cost	\$39.81	\$36.95	\$ 64.33	\$35.94	\$ 49.45	\$52.30	\$179.54	\$ 78.74
Low Income @3,000 gal (lifeline cost)	\$17.44	\$17.44	\$17.44	\$17.44	\$22.94	\$22.94	\$22.94	\$22.94

Table 2.11-2 (Rev A). Comparison of EPCOR Proposed Monthly Residential COST for Four Locations in this Rate Case for Monthly MEDIAN Usage
(5/8&3/4 and 1 inch rate categories)

The monthly "median" cost is determined based on the consumption where 50% of the users consume more and 50% consume less water in the same rate category.

Monthly MEDIAN Usage	5/8- and 3/4-inch Residential Service				1-inch Residential Service			
	Tubac	Sun City	Paradise Valley	Mohave	Tubac	Sun City	Paradise Valley	Mohave
In gallons	5,000	6,000	10,000	5,000	10,000	7,000	37,000	11,000

EPCOR REVISED PROPOSAL MEDIAN USAGE MONTHLY COST

Based on its 14 October 2014 Revision Schedules

PRESENT COST	\$42.10	\$15.72	\$36.65	\$17.32	\$146.05	\$30.21	\$116.45	\$47.74
Proposed COST INCREASE	+\$35.79	+\$3.46	+\$3.11	+\$7.87	+\$82.49	+\$6.68	+\$9.96	+\$18.62
Proposed COST	\$ 77.89	\$ 19.18	\$ 39.76	\$ 25.19	\$ 228.54	\$ 36.89	\$ 126.41	\$ 66.36
Percent Increase in COST	+85.0%	+22.0%	+8.5%	+45.6%	+56.5%	+22.1%	+8.6%	+39.0%

EPCOR REBUTTAL MEDIAN USAGE MONTHLY COST

Revised Proposal in Rebuttal Compared to Original Proposed Costs (Revised 14 October 2014)

COST INCREASE	+ \$26.71	+ \$3.06	+ \$2.11	+ \$7.58	+ \$43.85	+ \$5.83	+ \$6.75	+ \$17.90
Rebuttal COST	\$ 68.81	\$ 18.77	\$ 38.76	\$ 24.90	\$ 172.90	\$ 36.04	\$ 123.20	\$ 65.64
Percent COST INCREASE	+63.46%	+19.42%	+ \$5.75	+43.74%	+33.96%	+ 19.29%	+ 5.80%	+37.50%

Note: The proposed EPCOR Rebuttal ARCM commodity surcharge of \$0.22607/1,000 gallons is included in the proposed monthly average residential cost for Tubac. No other locations have this surcharge.

MAGRUDER MEDIAN USAGE MONTHLY COST

Based on Magruder Testimony, Appendix 3 Attachment A, for Combined Rates in the "last rate case"

Cost for MEDIAN Usage	\$ 21.44	\$ 23.94	\$ 34.94	\$ 21.44	\$ 39.44	\$32.94	\$144.94	\$ 41.94
Low Income @3,000 gal	\$17.44	\$17.44	\$17.44	\$17.44	\$22.94	\$22.94	\$22.94	\$22.94

If Magruder Testimony Appendix 3 rates were used for combined rates, then Tubac and Mohave would have had lower present rates in both rate categories and Sun City in the 1-inch rate category.

Also, shown above are low-income rates for a total cost of \$17.44 for the smaller (5/8&3/4-inch) service and \$22.94 for the 1-inch service, considerably lower than the present rates except the Sun City smaller service connections.

Table 2.11-4 (Rev A). Comparison of EPCOR Rebuttal with Low Income Surcharges versus Present Residential VOLUMETRIC CHARGE at Four Locations
(5/8&3/4 and 1 inch rate categories)

Monthly	5/8- and 3/4-inch Residential Service				1-inch Residential Service			
	Tubac	Sun City	Paradise Valley	Mohave	Tubac	Sun City	Paradise Valley	Mohave
Average Use	8,348	7,203	19,271	6,800	13,838	14,786	55,400	23,601
Median Use	5,000	6,000	10,000	5,000	10,000	7,000	37,000	11,000
EPCOR Present Rates								
Present 1st Tier	\$1.90 0 to 3k	\$0.7297 0k-1k	\$1.05 0k-5k	\$0.88 0k-3k	\$4.00 0k-35k	\$0.7297 0k-1k	\$1.05 0k-5k	\$1.84 0k-15k
Present 2nd Tier	\$3.00 3k-10k	\$1.0702 1k-3k	\$1.25 5k-15k	\$1.84 3k-10k	\$6.00 >35k	\$1.0702 1k-3k	\$1.25 5k-15k	\$3.00 >15k
Present 3rd Tier	\$4.00 10k-20k	\$1.3621 3k-9k	\$2.20 15k-40k	\$3.00 >10k	Not used	\$1.3621 3k-9k	\$2.20 15k-40k	Not used
Present 4th Tier	\$6.00 <20k	\$1.6539 9k-12k	\$2.75 40k-80k	Not used	Not used	\$1.6539 9k-12k	\$2.75 40k-80k	Not used
Present 5th Tier	Not used	1.9896 >12k	\$3.2259 >80k	Not used	Not used	1.9896 >12k	\$3.2259 >80k	Not used

EPCOR REBUTTAL

Revised Rebuttal Proposal Costs Compared to Present Costs (Difference from Original Proposal in Red)

Proposed 1st Tier	-\$4.75 -\$0.58 0 to 3k	\$0.7336 -\$0.0164 0-1k	\$1.1116 -\$0.0292 0k-5k	\$1.53 -\$0.02 0k-3k	\$6.70 -\$0.90 0k-35k	\$0.7336 -\$0.0164 0-1k	\$1.1116 -\$0.0292 0k-5k	\$2.48 -\$0.02 0k-15k
Proposed 2nd Tier	\$6.10 -\$0.73 3k-10k	\$1.3602 -\$0.0100 1k-3k	\$1.3234 -\$0.0347 5k-15k	\$2.48 -\$0.02 3k-10k	\$7.95 \$8.631* -\$0.749 >35k	\$1.3602 -\$0.0100 1k-3k	\$1.3234 -\$0.0347 5k-15k	\$3.205 \$3.262& -\$0.02 >15k
Proposed 3rd Tier	\$7.15 -\$1.03 10k-20k	\$1.6539 -\$0.0063 3k-9k	\$2.3292 -\$0.0611 15k-40k	\$3.205 \$3.262& -\$0.02 >10k	Not used	\$1.6539 -\$0.0063 3k-9k	\$2.3292 -\$0.0611 15k-40k	Not used
Proposed 4th Tier	\$7.95 \$8.631* -\$2.168 >20k	\$1.8002 -\$0.1000 9k-12k	\$2.9115 -\$0.0764 40k-80k	Not used	Not Used	\$1.8002 -\$0.1000 9k-12k	\$2.9115 -\$0.0764 40k-80k	Not Used
Proposed 5th Tier	Not Used	\$2.0102 \$2.0304# -\$0.1100 >12k	\$3.4153 \$3.4283+ -\$0.0896 >80k	Not used	Not used	\$2.0102 \$2.0304# -\$0.1100 >12k	\$3.4153 \$3.4283+ -\$0.0896 >80k	Not used

* = Includes Tubac proposed Low Income Surcharge of \$0.6810 per 1000 gallons.

= Includes Sun City proposed Low income Surcharge of \$0.020 per 1000 gallons

+ = Includes Paradise Valley proposed Low Income Surcharge of \$0.0130 per 1000 gallons⁸

& = Includes Mohave proposed Low Income Surcharge of \$0.0570 per 1000 gallons.

⁸ -EPCOR Rebuttal, Paradise Valley Schedule H-3, p. 4 has conflicting amounts for the surcharge, either \$0.0120 is indicated as "estimated" at \$0.0120 which is indicated as "the additional \$0.0130 for the Low Income Surcharge.

While reviewing the Company Rebuttal's Schedules, it was noted that there were different charges for the same services, in particular, refundable Meter and Service Line Installations. Table A below shows this for the four locations in this case. There were no changes between the Proposed and Rebuttal Charges.

Table A. Refundable Meter and Service Line Installation Charges⁹

Monthly	5/8 and 3/4-inch Residential Service				1-inch Residential Service			
	Tubac	Sun City	Paradise Valley	Mohave	Tubac	Sun City	Paradise Valley	Mohave
Present Service Line	\$445.00	\$370.00	\$445.00	\$370.00	\$495.00	\$420.00	\$495.00	\$420.00
Present Meter Installation	\$155.00 [\$255.00 (3/4)]	\$130.00 [\$205.00 (3/4)]	\$155.00 [\$255.00 (3/4)]	\$130.00 [\$205.00 (3/4)]	\$315.00	\$240.00	\$315.00	\$240.00
Rebuttal Service Line	\$445.00	\$370.00	\$445.00	\$370.00	\$495.00	\$420.00	\$495.00	\$420.00
Rebuttal Meter Installation	\$155.00 [\$255.00 (3/4)]	\$130.00 [\$205.00 (3/4)]	\$155.00 [\$255.00 (3/4)]	\$130.00 [\$205.00 (3/4)]	\$315.00	\$240.00	\$315.00	\$240.00

⁹ /b., Rebuttal Schedules H-3.

Service List

Original and 13 copies of the foregoing are filed by mail this date with:

Docket Control (13 copies)
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007-2927

Dwight Nodes, Assistant Chief Administrative
Judge, Hearing Division
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

Janice Alward, Chief Counsel
Legal Division
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

Additional Distribution (1 copy each) are filed by email this date:

Thomas C. Campbell
Michael T. Hallam
Attorneys for EPCOR Water Arizona, Inc.
Lewis Roca Rothgerber
210 East Washington Street
Phoenix, AZ 85004
tcampbel@irrlaw.com
mhallam@irrlaw.com

Andrew Miller, Town Attorney
Town of Paradise Valley
6401 East Lincoln Drive
Paradise Valley, AZ 85253-4328
amiller@paradisevalleyaz.gov

Robert Metli
Munger Chadwick
2398 E. Camelback Rd, Suite 240
Phoenix, AZ 85016
Attorneys for Sanctuary Camelback Mountain
Resort & Spa, JW Marriott Camelback Inn, and
Omni Scottsdale Resort & Spa at Montelucia
rjmetli@mungerchadwick.com

Daniel W. Pozefsky, Chief Counsel
Ann-Marie Anderson, RUCO Attorney
Residential Utility Consumer Office (RUCO)
1110 West Washington Street, Suite 220
Phoenix, Arizona 85007-2958
dpozefsky@azruco.gov
ann-marie.anderson@azbar.org

Albert E. Gervenack
14751 West Buttonwood Drive
Sun City West, AZ 85375
agervenack@bmi.net

Richard Bohman, President
Jim Patterson
Santa Cruz Citizens Council
PO Box 1501
Tubac, AZ 85646
rtbnmbaz@aol.com
jampat@q.com

William F. Bennett, Legal Counsel
Paradise Valley Country Club
7101 N. Tatum Boulevard
Paradise Valley, AZ 85253
BBennett@bcklaw.org

Greg Petterson
Water Utility Association of Arizona
916 W. Adams, Suite 3
Phoenix, AZ 85007
Gpatterson3@cox.net

Jim Stark, President
Greg Eisert
Sun City Home Owners Association (SCHOA)
10401 West Coggins Drive
Sun City, AZ 85353
gregeisert@gmail.com

Delman E. Eastes
2042 E. Sandtrap Lane
Fort Mohave, AZ 86426
Delman_Eastes@yahoo.com